



*File Copy of*  
*Donlee Manufacturing Industries Limited*

~~ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1969~~



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# DONLEE MANUFACTURING INDUSTRIES LIMITED

<i>Board of Directors</i>	R. H. BURNS	J. S. LEE
	A. S. DONOVAN	P. L. MURRAY
	J. C. DONOVAN	G. C. STEWART
	R. J. DONOVAN	

<i>Officers</i>	A. S. DONOVAN	- - - - -	President
	J. S. LEE	- - - - -	Vice-President
	J. C. DONOVAN	- - - - -	Vice-President
	P. L. MURRAY	- - - - -	Secretary-Treasurer

<i>Transfer Agent and Registrar</i>	ROYAL TRUST COMPANY
	Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver

<i>Auditors</i>	THORNE, GUNN, HELLIWELL & CHRISTENSON
	101 Richmond St. West, Toronto, Ontario

<i>Head Office</i>	137 Wendell Avenue
	Weston, Ontario

# DONLEE MANUFACTURING INDUSTRIES LIMITED

*Head Office* 137 Wendell Avenue  
Weston, Ontario

*Divisions* PARAMOUNT INDUSTRIES

Plants

137 Wendell Avenue, Weston  
1945 Wilson Avenue, Weston  
1935 Wilson Avenue, Weston

Sales Office

28277 Dequindre Road  
Madison Heights, Michigan

GENERAL GEAR COMPANY

9-11 Fenmar Drive, Weston

MARIKO COMPANY

597 Trethewey Drive, Toronto

*Subsidiaries* THE NUDAY Co.

14615 Wyoming Avenue  
Detroit, Michigan

THE NUDAY EQUIPMENT COMPANY OF  
CANADA (1968) LIMITED

137 Wendell Avenue, Weston

RADEX CORPORATION

14615 Wyoming Avenue  
Detroit, Michigan

AUTOMOTIVE INDUSTRIES INC.

Plant—Owendale, Michigan  
Sales Office—28277 Dequindre Road  
Madison Heights, Michigan

MOBILE MATERIALS HANDLING EQUIPMENT LIMITED

Plants

3443 Wolfedale Road, Cooksville  
954 Middlegate Road, Mississauga

J. S. Lee—*General Manager*

R. A. Fordon—*Sales Manager*

R. J. Donovan—*General Manager*

R. H. Burns—*Sales Manager*

A. J. A. Mulder—*General Manager*

J. L. Sullivan—*President*

John Fogarty—*Vice-President  
and General Manager*

J. C. Donovan—*President*

Ariel Stiebel—*President*

John Fogarty—*Vice-President  
and General Manager*

W. H. Clement—*President*

Joseph Gardin—*President*

# DONLEE MANUFACTURING INDUSTRIES LIMITED

## *Report to Shareholders*

The Directors submit herewith the Annual Report of the Company for the year ended December 31, 1969, a period of expansion and readjustment for your Company.

SALES AND EARNINGS	1969	per share	1968	per share
Consolidated Sales	\$10,080,158		\$8,264,905	
Unconsolidated Sales	2,352,564			
	<u>12,432,722</u>		<u>8,264,905</u>	
Earnings before special provision	324,142	.92	528,772	1.51
Provision for losses of unconsolidated subsidiaries	100,000			
Net earnings for the year	\$ 224,142	.64	\$ 528,772	1.51

Your Company continued to experience strong growth as evidenced by the increase in sales, but for a number of reasons, net earnings for the year were considerably lower. The specific factors causing the decline were as follows—

1. Automotive Industries, Inc. and Radex Corporation, two new subsidiaries are not consolidated because their accounts at the time of acquisition were not audited. While these two companies earned small profits on their operations, a large inventory shortage of \$140,000 at Automotive Industries became evident when the physical stocktaking took place at the year-end. This loss was reduced to \$100,000 by the profits earned, and while it may be reduced further depending on results of investigations as to how much occurred prior to our acquisition, we have charged earnings with the full amount.

2. During the final quarter of the year, sales were off by \$1,000,000. Approximately half of this was the result of having to postpone shipments of end fittings to Ontario Hydro, for technical reasons, which had nothing to do with our product. The shipments were made in early 1970, however, under the method of accounting for work in process adopted in 1968, profits are taken into income only at the time of shipment.

In the same period, there was a "cut back" in production within the automotive industry, to the extent that Paramount Industries our largest facility had to suspend manufacturing during the last half of December. These events reduced sales, produced high inventories and affected profits negatively.

3. The plastic extrusion department which had a loss of \$100,000 has been closed down and the equipment sold. The blow molding and rotocast sections operated profitably.

4. In addition to the above, costs generally were higher in 1969, temporarily we believe due to

- Rapid growth in production volume.
- Start-up costs related to new products.
- Preparation for a new computor installation.
- Revamping and consolidation of administration and sales functions.

While a number of events causing decline in profits are external and non-recurring, the Directors believe that the appropriate steps have been taken internally to restore the operations of your Company to the level of profitability enjoyed in the past.

## NEW FACILITIES

A 43,000 square foot factory was built on the Fenmar Drive property in the Borough of North York, facing Highway 400 just north of Finch Avenue cloverleaf. This building has permitted the General Gear and the General Deep Hole Boring Divisions of the Company to be merged into one unit which will operate at the new factory as General Gear Division. These divisions formerly leased three separate buildings without facilities for expansion.

General Gear took delivery during the year of its first tape control lathe. This new generation of equipment permits greater speed and accuracy in the machining of metal parts.

Two new blow molding machines were acquired to meet the growing demand from automotive and commercial customers. A good market for blow molded products has been developed in the manufacture of ducts for automotive heating systems and windshield washer jars. Snowmobile gas tanks and toys are two other areas where sales are being sought.

Some gun drilling machines were acquired during the year to augment the "boring" capabilities currently available. This is a specialized field rather unique in Canada, which involves drilling a hole through the centre of a solid bar. Other specialized skills involved in honing and deep hole boring are also drawing a considerable amount of interest.

## ACQUISITIONS

During the year the Company acquired all of the shares of Automotive Industries, Inc., of Owendale, Michigan, a company engaged in the manufacture of sun visors. This acquisition provides a ready market for the sun visor hardware manufactured by Paramount Industries.

The Company also acquired an 80% interest in the Radex Corporation of Detroit, a small manufacturer of electronic monitoring devices. This facility provides an area for the management of The Nuday Co., to concentrate their growth efforts. A number of interesting patents are owned by Radex and steps are being taken to produce and market them.

Purchase of all the shares of Mobile Materials Handling Equipment Limited was also made in 1969. This Cooksville, Ontario company manufactures and sells a variety of material handling equipment as well as operating a lift truck service department.

All of the shares of The Nuday Equipment Company of Canada (1968) Limited, were acquired late in the year. The company is essentially a corporate shell, however it was necessary to protect the charter.

## NEW DEVELOPMENTS

The development of the "Mariko" line of plastic nursery furniture has taken longer than anticipated. Technical problems on the first models necessitated a redesign which is now almost complete. The original model has received considerable attention and is currently being sold by a major department store. Despite deliberate postponing of any marketing effort, sales have been sufficient to confirm the soundness of the concept. Arrangements have been made with a large American marketer of baby products for them to distribute the furniture nationally in the United States, commencing in the summer of this year.

A new line of pressurized cleaning machines are being manufactured at General Gear for use in service stations and beverage and food processing plants. A contract for the distribution of this product in Canada and the United States has been signed with Canada Packers Limited.

The plastics department is currently manufacturing by the blow molding process, pipe fittings of a multitude of sizes and shapes on behalf of a subsidiary of Canadian Industries Limited.

Another new product is a hydraulic hoist apparatus used in service stations. These are being manufactured also by General Gear for a major supplier of service station equipment.

General Gear has recently acquired equipment for the machining and cutting of much larger gears. A sizeable outlet for this capacity is developing in conjunction with the Canadian branch of the Eimco Corporation of Salt Lake City, Utah, a large American manufacturer of equipment used in combatting pollution. Additional facilities may have to be acquired in the future to keep up with the demand.

Mobile Materials Handling Equipment Limited has started selling in the United States, an hydraulically operated pallet truck, manufactured in its Cooksville plant and initial reception has been most encouraging. Arrangements are being concluded with an American wholesaler of lift trucks parts for the distribution of its products in the Toronto area. These developments reflect the potential growth of this division which was the reason for the acquisition of this subsidiary.

In recent weeks Automotive Industries, Inc. has successfully developed an approved fire retardant foam material for use in the manufacture of sun visors and interior trim. This material will be manufactured by Automotive Industries in Owendale, Michigan for Paramount Industries as well as for its own needs. While this type of development does not increase sales it can contribute profits by replacing materials purchased from outside sources. Initial profits generated by this new product will not be subject to tax due to the carry forward of losses from 1968 and 1969.

Sales at Radex Corporation declined toward the end of the year in reaction to the general curtailment of capital expenditures experienced throughout North America. A change in the tight money situation will permit Radex to continue the upward climb that was evident in the summer of 1969. They recently developed and are selling an air counter based on fluidics, along with the main line of electronic monitoring devices.

The Nuday Company have introduced a new hydra analyzer for use in measuring efficiency in tractor hydraulic systems.

#### FINANCIAL POSITION

The extensive capital acquisition program, heavy inventories, advances required by the new subsidiaries and reduced earnings have all contributed to put strain on the Company's working capital. However, since the year-end, further advances under the long-term loan arranged by the Company with the Federal Adjustment Assistance Board have relieved the situation.

Emphasis will be concentrated this year in bringing the projects outlined above, to the stage where they will contribute to earnings. A firm of outside consultants are currently assisting with the development of an organization structure which will allow management to cope with the growth anticipated in the years ahead. A new N.C.R. Century Computor has been installed for use initially for production planning and inventory control in the automotive division.

The Directors express their appreciation to all employees of the Company for their respective efforts which have contributed to the Company's operations during 1969 and will make possible the continued profitable growth of the Company.

On behalf of the Board of Directors

A. S. DONOVAN  
*President*

## DONLEE MANUFACT

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*Consolidated Balance*

(with comparati

	<i>Assets</i>	1969	1968
<b>CURRENT ASSETS</b>			
Cash - - - - -	\$ 207,000	\$ 172,195	
Accounts receivable including unconsolidated subsidiaries \$277,599 in 1969 -	1,845,184	1,855,407	
Inventories, at the lower of cost and net realizable value - - - - -	1,633,995	921,909	
Prepaid expenses - - - - -	115,101	52,959	
	<u>3,801,280</u>	<u>3,002,470</u>	
<b>INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES (note 2)</b>			
Shares, at cost less provision for losses - - - - -	281,407		
Advances - - - - -	309,981		
	<u>591,388</u>		
<b>FIXED ASSETS</b>			
Land, buildings and equipment, at cost - - - - -	3,537,612	2,004,679	
Less accumulated depreciation - - - - -	767,855	467,353	
	<u>2,769,757</u>	<u>1,537,326</u>	
<b>OTHER ASSETS</b>			
Excess of cost over book value at dates of acquiring shares of subsidiaries -	102,450	13,007	
Deferred finance charges - - - - -	6,934		
Special refundable tax - - - - -		12,377	
	<u>109,384</u>	<u>25,384</u>	

Approved by the Board

A. S. DONOVAN, Director

P. L. MURRAY, Director

\$7,271,809\$4,565,180

G INDUSTRIES LIMITED

(laws of Ontario)

and subsidiaries

at — December 31, 1969

(at December 31, 1968)

*Liabilities*

	1969	1968
<b>CURRENT LIABILITIES</b>		
Bank advances, secured by assignment of book debts - - - - -	\$1,160,000	\$ 990,000
Accounts payable and accrued liabilities - - - - -	1,771,185	813,315
Income taxes payable - - - - -	70,872	156,158
Principal due within one year on long term debt - - - - -	329,908	114,266
	<u>3,331,965</u>	<u>2,073,739</u>
<b>LONG TERM DEBT (note 3)</b> - - - - -	1,596,852	242,753
Less principal included in current liabilities - - - - -	329,908	114,266
	<u>1,266,944</u>	<u>128,487</u>
<b>DEFERRED INCOME TAXES (note 4)</b> - - - - -	187,079	102,700

*Shareholders' Equity*

<b>CAPITAL STOCK (note 5)</b>		
Authorized		
600,000 Common shares without par value		
Issued		
351,400 Common shares (351,250 shares in 1968) - - - - -	1,069,731	1,068,306
 <b>RETAINED EARNINGS</b> - - - - -	 1,416,090	 <u>1,191,948</u>
	<u>2,485,821</u>	<u>2,260,254</u>
 Long term leases (note 6)	 <u>\$7,271,809</u>	 <u>\$4,565,180</u>

**DONLEE MANUFACTURING INDUSTRIES LIMITED**  
and consolidated subsidiaries

*Consolidated Statement of Earnings*

Year Ended December 31, 1969  
(with comparative figures for 1968)

	1969	1968
Sales - - - - -	<u>\$10,080,158</u>	<u>\$8,264,905</u>
Expenses		
Cost of sales and expenses other than the undernoted - - - - -	8,099,220	6,335,993
Depreciation - - - - -	230,309	164,813
Interest—long term debt - - - - -	57,520	13,751
—other - - - - -	92,409	68,149
Remuneration of directors and senior officers - - - - -	129,250	131,465
Selling and administrative expenses - - - - -	789,125	476,962
	<u>9,397,833</u>	<u>7,191,133</u>
Earnings before the undernoted items - - - - -	682,325	1,073,772
Income taxes		
Current - - - - -	273,804	491,200
Deferred - - - - -	84,379	53,800
	<u>358,183</u>	<u>545,000</u>
	<u>324,142</u>	<u>528,772</u>
Provision for losses of unconsolidated subsidiaries - - - - -	100,000	-
Net earnings for the year - - - - -	<u>\$ 224,142</u>	<u>\$ 528,772</u>

*Consolidated Statement of Retained Earnings*

Year Ended December 31, 1969  
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year - - - - -	\$ 1,191,948	\$ 689,194
Net earnings for the year - - - - -	<u>224,142</u>	<u>528,772</u>
	<u>1,416,090</u>	<u>1,217,966</u>
Deduct		
Expenses of issue of common shares - - - - -	52,618	
Less related income tax reduction - - - - -	26,600	
	<u>26,018</u>	
Balance at end of year - - - - -	<u>\$ 1,416,090</u>	<u>\$1,191,948</u>

**DONLEE MANUFACTURING INDUSTRIES LIMITED**  
 and consolidated subsidiaries

*Consolidated Statement of Source and Application of Funds*

Year Ended December 31, 1969  
 (with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
<b>Source of funds</b>		
Operations		
Net earnings for the year - - - - -	\$ 224,142	\$ 528,772
Items not involving current funds		
Depreciation - - - - -	230,309	164,813
Provision for losses of unconsolidated subsidiaries - - - - -	100,000	
Deferred income taxes - - - - -	84,379	53,800
Other - - - - -	4,086	
	<u>642,916</u>	<u>747,385</u>
Working capital of consolidated subsidiaries at date of acquisition - - - - -	80,257	162,822
Issue of common shares less expenses of issue - - - - -	1,425	642,107
Issue of common shares of amalgamating companies - - - - -		200,018
Issue of 7 1/4 % serial debentures - - - - -	1,018,445	
Repayment of demand note and advances by Chemokan Enterprises Limited		175,163
Disposals of fixed assets - - - - -	12,546	14,750
Special refundable tax - - - - -	12,377	
	<u>1,767,966</u>	<u>1,942,245</u>
<b>Application of funds</b>		
Additions to fixed assets - - - - -	1,385,825	910,487
Less non-current portion of applicable long term debt - - - - -	92,500	
	<u>1,293,325</u>	<u>910,487</u>
Investments in subsidiaries - - - - -	583,407	197,302
Less non-current portion of applicable long term debt - - - - -	253,005	68,987
	<u>330,402</u>	<u>128,315</u>
Advances to unconsolidated subsidiary companies - - - - -	309,981	
Other decreases in long term debt - - - - -	293,674	90,876
Redemption of preference shares of amalgamating company - - - - -		200,000
Special refundable tax - - - - -		4,443
	<u>2,227,382</u>	<u>1,334,121</u>
Increase (decrease) in working capital - - - - -	(459,416)	608,124
Working capital at beginning of year - - - - -	928,731	320,607
Working capital at end of year - - - - -	<u>\$ 469,315</u>	<u>\$ 928,731</u>

**DONLEE MANUFACTURING INDUSTRIES LIMITED**  
and consolidated subsidiaries

*Notes to Consolidated Financial Statements*

December 31, 1969

**1. BASIS OF CONSOLIDATION**

The consolidated financial statements include the operations of the following wholly-owned subsidiaries:

The Nuday Co. for 1968 and 1969,

Mobile Materials Handling Equipment Limited from acquisition on July 31, 1969 and,

The Nuday Equipment Company of Canada (1968) Limited from acquisition on October 31, 1969.

The statements of The Nuday Co. have been converted from United States dollars to Canadian dollars on the following basis: current assets and current liabilities, at the exchange rate prevailing at December 31, 1969; fixed assets at the rates prevailing at the latter of the acquisition of the shares of The Nuday Co. or the date of purchase of the fixed assets; revenue and expenses at the average rate of exchange during the year.

**2. UNCONSOLIDATED SUBSIDIARY COMPANIES**

Two subsidiary companies, Automotive Industries, Inc., wholly-owned and Radex Corporation, 80% owned, were acquired on February 28, 1969 and May 1, 1969 respectively for a total consideration of \$381,407. These subsidiaries have not been consolidated as the opinions of their auditors on the financial statements have been qualified with respect to opening balances at their dates of acquisition since neither company has had an audit prior to acquisition.

Provision for losses since acquisition of \$100,000 has been reflected in the statement of earnings.

	<u>1969</u>	<u>1968</u>
(a) 6% Serial debentures - - - - -	\$ 59,500	\$101,500
Debentures maturing May 15, 1971 held by the Adjustment Assistance Board are payable in monthly instalments of \$3,500 plus interest. The payment of the principal is secured by:		
(i) First chattel mortgage small plant, machinery and equipment now owned and hereafter acquired;		
(ii) Mortgage of leasehold properties;		
(iii) Assignment of benefits under an insurance policy on the life of a director; and		
(iv) Floating charge against the assets of the company.		
(b) 7 1/4% Serial debentures - - - - -	984,445	
Debentures maturing September 15, 1979 held by the Adjustment Assistance Board are payable in monthly instalments of \$13,000 plus interest. The payment of the principal is secured by:		
(i) First fixed charge on land owned December 31, 1968 and buildings thereon;		
(ii) Fixed charge on land in Vaughan Township subject to (d) below;		
(iii) Fixed charge on machinery and equipment now owned or to be acquired subject only to prior charges in respect of the 6% serial debentures;		
Carried forward - - - - -	\$1,043,945	\$101,500

	1969	1968
Brought forward	\$1,043,945	\$101,500
(c) 6% Promissory note	68,994	141,253
The note is collaterally secured by a pledge of the shares of The Nuday Co. and is payable by monthly instalments of U.S. \$3,500 plus interest until maturity on April 1, 1971.		
(d) 8% Mortgage payable	102,500	
Mortgage maturing February 14, 1974 is payable \$2,500 plus interest quarterly. The payment of the mortgage is secured by the Vaughan Township land.		
(e) 6% Promissory notes	191,256	
Notes maturing July 2, 1974 are payable U.S. \$17,750 plus interest semi-annually commencing January 2, 1970. The payment of the principal is secured by a second mortgage on the real estate owned by Automotive Industries, Inc.		
(f) 9½% Promissory note	100,000	
The principal is payable on October 15, 1971, the date of maturity. Interest is payable semi-annually.		
(g) Several finance contracts secured by equipment owned by Mobile Materials Handling Equipment Limited and leased to customers	90,157	
	<u>\$1,596,852</u>	<u>\$242,753</u>

Principal due within each of the next five years is as follows:

1970	\$329,908
1971	376,684
1972	222,245
1973	206,110
1974	257,459

#### 4. INCOME TAXES

The company charges earnings with income taxes currently payable and also with income taxes deferred by claiming capital cost allowances in excess of depreciation recorded in the accounts. The accumulated total of such income tax deferrals is reflected in the balance sheet as "Deferred Income Taxes".

#### 5. CAPITAL STOCK

Of 10,000 shares reserved for employees' stock options, the company has granted options on 9,010 shares of its capital stock at \$9.50 per share. During 1969 options on 150 shares (1,250 shares in 1968) were exercised. Options on 7,610 shares remain outstanding at December 31, 1969 exercisable at various dates up to June, 1973.

#### 6. LONG TERM LEASES

The company rents several buildings under long term leases. The aggregate of rentals incurred as an expense on these leases during 1969 was \$86,455. The aggregate minimum rental expense to be incurred under these leases during the five years ending December 31, 1974 will be \$650,668. The leases expire at varying dates to December 31, 1977.

Thorne,  
Gunn,  
Helliwell  
& Christenson

CHARTERED ACCOUNTANTS

*Auditors' Report*

To the Shareholders of  
DONLEE MANUFACTURING INDUSTRIES LIMITED

We have examined the consolidated balance sheet of Donlee Manufacturing Industries Limited and consolidated subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON  
*Chartered Accountants*

Toronto, Canada  
March 26, 1970





**DIVISIONS**

PARAMOUNT INDUSTRIES,  
137 Wendell Ave.,  
Weston

GENERAL DEEP HOLE BORING &  
TURNING COMPANY,  
60 Bertal Road,  
Toronto 15

GENERAL GEAR COMPANY,  
597 Trethewey Dr.,  
Toronto 15

MARIKO COMPANY  
137 Wendell Ave.,  
Weston

**SUBSIDIARIES**

THE NUDAY COMPANY  
14615 Wyoming Avenue,  
Detroit, Michigan

AUTOMOTIVE INDUSTRIES INC.  
Owendale, Michigan

**SUBSIDIARY—NOT CONSOLIDATED**

RADEX CORPORATION  
14615 Wyoming Avenue,  
Detroit, Michigan

*interim report  
to shareholders*

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FOR THE SIX MONTHS ENDED  
JUNE 30, 1969

DONLEE MANUFACTURING INDUSTRIES  
LIMITED

TO THE SHAREHOLDERS:

While the sales and earnings for the first half of 1969 exceeded those of 1968, the earnings per dollar of sales were down from 6.6¢ in 1968 to 5.0¢ in 1969. The main cause of this was the failure of a new subsidiary to contribute to the profits. Increased business secured since the acquisition will reverse this situation commencing with the new automobile model year.

In April, a controlling interest was acquired in Radex Corporation, a Detroit electronics company. This acquisition should contribute a small profit in 1969 and become more significant in 1970.

A heavy backlog of regular work, coupled with new business resulting from development work undertaken in the first six months, and a turn around in the two newly acquired subsidiaries, should provide a favourable growth situation in the second half of the year.

A. S. DONOVAN,  
President

August 15, 1969

DONLEE MANUFACTURING INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

	Three months ended June 30, 1969	1968	Six months ended June 30, 1969	1968
Sales.....	\$3,584,354	\$2,204,669	\$5,529,770	\$3,906,926
Earnings before income tax.....	393,383	275,541	581,157	510,384
Income taxes.....	212,775	136,677	306,000	248,697
Net Earnings for the Period.....	\$ 180,608	\$ 138,864	\$ 275,157	\$ 261,687
Per Common Share.....	.51	.40	.78	.75

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:

	Six months ended June 30, 1969	1968
Net income for the period.....	\$275,157	\$ 261,687
Add depreciation which does not involve an outlay of funds.....	79,129	71,873
Working capital of The Nuday Co. at date of acquisition of shares.....	354,286	333,560
Issue of common shares		
Amalgamating companies.....		200,018
Other.....	950	606,823
Repayment of demand note and advances by Chemokan Enterprises Ltd.....	175,163	
Issue of 8% mortgage.....	120,000	
	475,236	1,478,386

APPLICATION OF FUNDS:

	Six months ended June 30, 1969	1968
Cost of shares of consolidated subsidiaries.....	270,406	196,953
Principal payments due after one year.....	172,131	92,113
Working capital deficiency at date of acquisition, Automotive Industries, Inc.....	98,275	104,840
	47,958	
Cost of shares of unconsolidated subsidiary.....	146,233	
Additions to fixed assets.....	110,220	252,864
Decrease in long term debt.....	501,420	63,255
Redemption of preference shares of amalgamating companies.....	63,255	200,000
Special refundable tax.....	5,860	
	821,128	669,771
INCREASE (DECREASE) IN WORKING CAPITAL.....	(345,892)	808,615
WORKING CAPITAL AT BEGINNING OF PERIOD.....	928,731	320,607
WORKING CAPITAL AT END OF PERIOD.....	\$582,839	\$1,129,222

Note:

The above 1968 figures reflect the operating results of Donlee Manufacturing Industries Limited for the three months from the date of amalgamation, April 1, 1968, to June 30, 1968, and those of the amalgamating companies for the three months ended March 31, 1968. The results of operations of Radex Corporation have not been included. If the results for the period since acquisition had been included, profits would not be materially affected.